

## Message Text

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PAGE 01 STATE 138098  
ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 TRSE-00 OMB-01 AID-05 XMB-02  
FRB-03 SS-15 NSC-05 L-03 CIAE-00 INR-07 NSAE-00  
IGA-02 CEA-01 /064 R

DRAFTED BY EB/IFD/OMA:CHERVIN

APPROVED BY EB:PHBOEKER

EUR/WE:KSMITH

TREAS:POCONNELL

EUR/NE:EDJEREJIAN

-----150011Z 069837 /73

P 142226Z JUN 77  
FM SECSTATE WASHDC  
TO AMEMBASSY BRUSSELS PRIORITY

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E.O. 11652: N/A

TAGS: EFIN, PO, BE

SUBJECT: FINANCIAL ASSISTANCE FOR PORTUGAL

REF: (A) BRUSSELS 5619 (B) BRUSSELS 5268 (C) EC BRUSSELS  
4628

1. DURING PLANNED DISCUSSIONS WITH FINANCE MINISTER JUNE 15, EMBASSY IS REQUESTED TO URGE THAT GOB BE PREPARED TO MAKE AN ANNOUNCEMENT OF ITS POSITIVE INTENTION ON BALANCE OF PAYMENTS ASSISTANCE FOR PORTUGAL AT THE JUNE 22 MEETING. BELOW IS INFORMATION RESPONDING TO GOB CONCERNS DESCRIBED IN REFTELS A AND B AND GENERAL BACKGROUND ON PROGRESS OF THE LENDING ARRANGEMENT.

2. THE U.S. IS ANTICIPATING A SUCCESSFUL OUTCOME TO THE  
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JUNE 22 MEETING. INFORMALLY, EMBASSY MAY INDICATE THAT COUNTRIES WHICH ARE ALREADY PREPARED TO MAKE A POSITIVE ANNOUNCEMENT INCLUDE THE FEDERAL REPUBLIC OF GERMANY (FRG), FRANCE, ITALY, SWITZERLAND AND NORWAY. IT IS OUR UNDERSTANDING THAT LIKELY CONTRIBUTIONS WILL BE \$200 MILLION FROM THE FRG AND \$40 MILLION FROM THE SWISS. CONTRIBUTIONS FROM FRANCE, ITALY AND NORWAY WILL APPARENTLY BE SMALLER

ALTHOUGH THIS IS NOT DEFINITELY SETTLED. ALTHOUGH STILL UNSURE OF THE MODALITY OF THEIR ASSISTANCE THE JAPANESE HAVE EXPRESSED WILLINGNESS TO MAKE A SUBSTANTIAL CONTRIBUTION. SIMILARLY, ALMOST ALL OTHER COUNTRIES WHICH ATTENDED THE MAY 16 MEETING HAVE INDICATED THEIR INTENTION TO PARTICIPATE BUT HAVE NOT SPECIFIED THE AMOUNT OR FORM OF THEIR ASSISTANCE. FOR ITS PART, THE PROPOSED U.S. LOAN IS GAINING INCREASING SUPPORT IN THE U.S. CONGRESS. THE HOUSE APPROPRIATION COMMITTEE APPROVED THE U.S. \$300 MILLION LOAN JUNE 14. WE EXPECT A SENATE APPROPRIATIONS COMMITTEE APPROVAL BY THE END OF JUNE. THE U.S. IS CONFIDENT THAT OUR CONGRESS WILL APPROVE THE U.S. CONTRIBUTION AND THAT THE SUPPORT OF OTHER COUNTRIES WILL MAKE THIS A SUBSTANTIAL AND TRULY INTERNATIONAL UNDERTAKING.

3. THE BELGIANS HAVE EXPRESSED PREFERENCE FOR A MULTI-LATERAL FRAMEWORK FOR THE INTERNATIONAL LENDING EFFORT, EITHER THROUGH THE EC OR AN AD HOC CONSORTIUM OPERATING ON THE BASIS OF THE FINANCIAL SUPPORT FUND AGREEMENT. AN EC-SPONSORED ASSISTANCE PACKAGE, HOWEVER, WOULD BE UNLIKELY TO PROVIDE APPROPRIATE OR TIMELY AID. REF C EXPLAINED THAT THERE IS NO COMMUNITY MECHANISM TO PROVIDE BALANCE OF PAYMENTS FINANCING TO NONMEMBERS. A DECISION TO PROVIDE UNTIED OR NON-PROJECT ASSISTANCE TO A NONMEMBER WOULD REQUIRE A COUNCIL DECISION AND WOULD REQUIRE AT LEAST SIX MONTHS. IT IS ALSO NOT CLEAR THAT THIS APPROACH WOULD HAVE ADEQUATE SUPPORT AMONG COMMUNITY MEMBERS, SINCE SEVERAL COMMUNITY MEMBERS HAVE ALREADY EXPRESSED WILLINGNESS TO CONTRIBUTE BILATERAL ASSISTANCE TO PORTUGAL.

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SHOULD VON YPERSELE'S SUGGESTION OF A FINANCIAL SUPPORT FUND (FSF) CONSORTIUM ARISE, WE WOULD DISCOURAGE THIS AVENUE. WE BELIEVE IT WOULD BE UNREALISTIC AND UNDESIRABLE TO ATTEMPT TO ORGANIZE AN FSF BASED CONSORTIUM AT THIS TIME WHEN OTHER COUNTRIES ARE ALREADY COMMITTED OR WELL ADVANCED ON MODES TO HANDLE THEIR CONTRIBUTIONS WITHIN THE COORDINATED, BILATERAL FRAMEWORK. NO COUNTRY OTHER THAN BELGIUM (VON YPERSELE) HAS EXPRESSED INTEREST IN THIS POSSIBILITY. WE WOULD BE CONCERNED IF THE FSF PROSPECT BECAME AN ALTERNATIVE TO COORDINATED BILATERAL LOANS, ONCE VIRTUALLY ALL PROSPECTIVE DONORS HAVE SETTLED ON THE LATTER APPROACH. THIS WOULD RISK SOME UNRAVELING OF PROGRESS ALREADY ACHIEVED.

4. THE U.S. APPRECIATES BUDGETARY DIFFICULTIES BELGIUM AND OTHER COUNTRIES MAY HAVE WITH THE PROPOSED ARRANGEMENT. WE BELIEVE, HOWEVER, THAT THE BILATERAL APPROACH ALLOWS SUFFICIENT FLEXIBILITY SO THAT INDIVIDUAL COUNTRIES CAN FIND FINANCING MECHANISMS WHICH BEST SUIT THEIR

ABILITIES. WITHIN THE FRAMEWORK OF CHARACTERISTICS FOR LOANS SPECIFIED AT THE MAY 16 MEETING, COUNTRIES ARE CONSIDERING SEVERAL MODALITIES FOR INDIVIDUAL CONTRIBUTIONS. THESE INCLUDE, FOR EXAMPLE: (1) APPROPRIATED FUNDS SUCH AS THE PROPOSED U.S. CREDIT, (2) CONTRIBUTIONS FROM PREVIOUSLY APPROPRIATED AID BUDGETS, (3) CENTRAL BANK CREDITS WHERE A MEDIUM TERM MECHANISM EXISTS, (4) UNTIED CREDITS FROM EXPORT-IMPORT BANKS, (5) OFFICIALLY GUARANTEED PRIVATE BANK LOANS. WE HOPE THAT THE GOB WILL FIND A SUITABLE MECHANISM TO ALLOW ITS PARTICIPATION IN WHAT WE ANTICIPATE WILL BE A WIDELY SHARED UNDERTAKING. CHRISTOPHER

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ORIGIN EB-04

INFO OCT-01 ISO-00 /005 R

66011  
DRAFTED BY:EB:IFD:OMA:CHERVIN  
APPROVED BY:EB:IFD:OMA:RJRYAN  
-----160715Z 087716 /21  
R 160229Z JUN 77  
FM SECSTATE WASHDC  
TO AMEMBASSY LISBON

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FOLLOWING TELEGRAM FROM SECSTATE WASHDC DATED JUNE 14, 1977  
SENT BRUSSELS IS REPEATED TO YOU: QUOTE  
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E.O. 11652: N/A

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Date:** 22 May 2009  
**Disposition Event:**  
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**Document Unique ID:** 00  
**Drafter:** CHERVIN  
**Enclosure:** n/a  
**Executive Order:** N/A  
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**Original Handling Restrictions:** n/a  
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**Reference:** 77 BRUSSELS 5619, 77 BRUSSELS 5268  
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**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
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**Review Media Identifier:**  
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**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2152366  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FINANCIAL ASSISTANCE FOR PORTUGAL  
**TAGS:** EFIN, PO, BE  
**To:** BRUSSELS  
**Type:** TE  
**vdkgvgwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/2773147d-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009